

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

In the Matter of:)
)

JOHN HENDERSON, JR.,)
)

Former Officer, Director, and)
Controlling Stockholder)
of Home Savings and Loan)
Association, Lufkin, Texas)
and Southland Savings)
Association, Longview, Texas)
)

Respondent.)
)

OTS Order No. AP- 98-7

Dated: October 2, 1998

OFFER OF SETTLEMENT BY
JOHN HENDERSON, JR.

I.

Respondent John Henderson, Jr. ("Henderson") hereby submits this Offer of Settlement ("Offer") to the Office of Thrift Supervision ("OTS"). This Offer is submitted for the sole purpose of disposing of the allegations and issues raised in the Notice of Charges ("Notice"), OTS Order No. AP 95-22, April 12, 1995, issued by the OTS in this matter relating to Henderson's participation as a director and in the affairs of Home Financial Corporation ("HFC"), Home Savings and Loan Association, Lufkin, Texas ("Home") and Southland Savings Association, Longview, Texas ("Southland").

II.

This Offer is submitted solely for the purpose of terminating this proceeding and shall be null and void and shall not be used in any manner in any proceeding if it is not accepted by the OTS as hereinafter set forth.

III.

Solely for the purposes of this proceeding, without admitting or denying the allegations of the Notice in this proceeding and without adjudication of any issue of fact or law, Henderson:

1. Admits the jurisdiction of the OTS with respect to the matters set forth in the Notice;
2. Stipulates that the record basis for this proceeding consists of the Notice and this Offer;
3. Acknowledges service of the Notice; and
4. Waives:
 - a. a hearing;
 - b. all post-hearing procedures;
 - c. entry of findings of fact and conclusions of law;
 - d. judicial review of the OTS's Opinion and Order Accepting Offer of Settlement of John Henderson, Jr. ("Order") by any court as provided by 12 U.S.C. § 1818(h), or otherwise challenge the validity of the Order;
 - e. any objection to the staff's participation in OTS's consideration of this

Offer, and

- f. any and all claims for the award of fees, costs or expenses arising under common law or under the Equal Access to Justice Act, 5 U.S.C. § 508 and 28 U.S.C. § 2412.

IV.

Henderson consents, solely by virtue of this Offer and not any adjudication on the merits, to the issuance of an Order by the OTS that contains the following terms:

PROHIBITION

1. Henderson is and shall be subject to the statutory prohibitions provided by Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e). Due to and without limitation on the operation of section 8(e)(6) and (e)(7) of the FDIA, 12 U.S.C. §§ 1818(e)(6) and (e)(7), Henderson, except upon the prior written consent of the OTS (acting through its Director or an authorized representative thereof) and any other "appropriate Federal financial institutions regulatory agency," for the purposes of section 8(e)(7)(B)(ii) of the FDIC, 12 U.S.C. § 1818(e)(7)(B)(ii), shall not:

(A) hold any office in, or participate in any manner in the conduct of the affairs of any institution or any agency specified in section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A) ("Covered Institution"), including:

- (i) any insured depository institution, e.g., savings and loan associations, savings banks, national banks, state banks, trust companies, and other banking institutions;
- (ii) any institution treated as an insured bank under section 8(b)(3) and 8(b)(4) of the FDIA, 12 U.S.C. § 1818(b)(3) and (b)(4), or as a savings association under section 8(b)(9)

of the FDIA, 12 U.S.C. § 1818(b)(9), e.g., subsidiaries and holding companies of banks or savings associations;

(iii) any insured credit union under the Federal Credit Union Act, 12 U.S.C. § 1781 et seq.;

(iv) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 et seq.;

(v) any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and

(vi) the Federal Housing Finance Board and any Federal Home Loan Bank;

(B) solicit, procure, transfer, attempt to transfer, vote or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any Covered Institution;

(C) violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of section 3(q) of the FDIA, 12 U.S.C. § 1813(q);

or

(D) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at section 3(u) of the FDIA, 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

2. This Order is subject to the provisions of section 8(j) of the FDIA, 12 U.S.C. § 1818(j), and shall become effective on the date it is issued.

RESTITUTION

3. Henderson shall pay restitution (but not as a penalty or fine) the total amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000), as follows:

(A) Henderson shall pay the sum of One Hundred Fifty Thousand Dollars (\$150,000) within ten (10) days of issuance of this Order. Said sum shall be paid by cashiers' check or bank draft made payable to the Federal Deposit Insurance Corporation, and delivered to John Davidson, OTS, 1700 G Street, N.W., Washington, D.C. 20552; and

(B) Prior to issuance of this Order, Henderson shall execute and deliver to the OTS a notarized Promissory Note, payable to the Federal Deposit Insurance Corporation, in the total amount of One Million One Hundred Thousand Dollars (\$1,100,000), according to the terms and conditions set forth in Attachment A to the Order. The Promissory Note is and shall be incorporated in the Order by reference and, in addition to any other remedies, including those set forth in the Promissory Note, shall be enforceable by the OTS as a term of the Order as though fully set forth in the Order. Notice of payment pursuant to the Promissory Note shall be made by telefax and express courier to the Deputy Chief Counsel for Enforcement, OTS, 1700 G Street, Washington, D.C. 20552, telefax number (202) 906-7005.

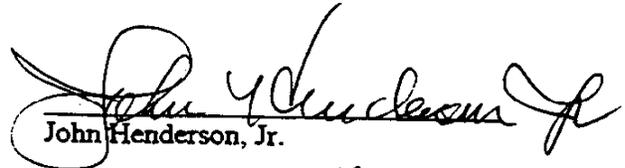
(C) As security for the Promissory Note, Henderson shall pledge all shares of common stock owned by him in Land O'Pines Dairy Products Company, a Texas corporation, the number of such shares being 20,384, to the FDIC, pursuant to a Security Agreement, dated September 15, 1998, the terms of which are incorporated in the Order. ✓

4. Henderson acknowledges and agrees that pursuant to 11 U.S.C. § 523(a)(11), his restitution obligation under the Order is not a dischargeable debt, and he waives any right to seek discharge of such obligation in any bankruptcy proceeding.

MISCELLANEOUS

5. The Order and this Offer may be used in any proceeding brought by the OTS to enforce the Order.

The undersigned states that he has read the foregoing Offer and declares that no promise or inducement of any kind has been made by OTS or its staff to induce the undersigned to tender this Offer, and that the submission of this Offer is a free and voluntary act on his part.



John Henderson, Jr.

Dated: September ¹² 1998

Offer of Settlement
John Henderson, Jr.

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

In the Matter of :)
)
JOHN HENDERSON, JR.,)
)
Former Officer, Director and)
Controlling Stockholder of)
Home Savings and Loan Association,)
Lufkin, Texas and Southland Savings)
Association,)
Longview, Texas)
)
Respondent.)

OTS Order No. AP- 98-7
Dated: October 2, 1998

OPINION AND ORDER ACCEPTING
OFFER OF SETTLEMENT OF JOHN HENDERSON, JR.

WHEREAS, the Office of Thrift Supervision ("OTS") has issued a Notice of Charges ("Notice"), OTS Order No. AP 95-22, April 12, 1995, against Respondent John Henderson, Jr. ("Henderson") asserting certain enforcement claims arising out of Henderson's participation as a director and in the affairs of Home Financial Corporation ("HFC"), Home Savings and Loan Association, Lufkin, Texas ("Home") and Southland Savings Association, Longview, Texas ("Southland"), and seeking an order directing restitution and other affirmative relief, and an order prohibiting Henderson from

participating in the affairs of federally insured depository institutions, pursuant to 12 U.S.C. § 1818(b) and (e); and

WHEREAS, Respondent Henderson has submitted an Offer of Settlement ("Offer") in the above-captioned proceeding. Upon consideration, the OTS has determined to accept the Offer.¹ Solely on the basis of the consent evidenced by the Offer, the OTS HEREBY ORDERS THAT:

ORDER OF PROHIBITION

1. Henderson is and shall be subject to the statutory prohibitions provided by Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e). Due to and without limitation on the operation of section 8(e)(6) and (e)(7) of the FDIA, 12 U.S.C. §§ 1818(e)(6) and (e)(7), Henderson, except upon the prior written consent of the OTS (acting through its Director or an authorized representative thereof) and any other "appropriate Federal financial institutions regulatory agency," for the purposes of section 8(e)(7)(B)(ii) of the FDIC, 12 U.S.C. § 1818(e)(7)(B)(ii), shall not:

(A) hold any office in, or participate in any manner in the conduct of the affairs of, any institution or any agency specified in section 8(e)(7)(A) of the FDIA, 12 U.S.C. § 1818(e)(7)(A) ("Covered Institution"), including:

¹ In the Offer, solely for the purposes of this proceeding and without admitting or denying the allegations of the Notice and without any adjudication of the facts or law, Henderson acknowledges service of the Notice; admits the jurisdiction of the OTS with respect to the matters set forth in the Notice; waives a hearing with respect to the matters set forth in the Notice, all post-hearing procedures with respect to the matters set forth in the Notice, judicial review of the Opinion and Order Accepting Offer of Settlement of John Henderson, Jr. ("Order") by any court as provided by 12 U.S.C. § 1818(h) or otherwise, challenge to the validity of this Order, any objection to the staff's participation in the OTS's consideration of the Offer, and any and all claims for the award of fees, costs or expenses arising under common law or under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412; and stipulates that the record basis for this proceeding consists of the Notice and the Offer.

(i) any insured depository institution, e.g., savings and loan associations, savings banks, national banks, state banks, trust companies, and other banking institutions:

(ii) any institution treated as an insured bank under section 8(b)(3) and 8(b)(4) of the FDIA, 12 U.S.C. § 1818(b)(3) and (b)(4), or as a savings association under section 8(b)(9) of the FDIA, 12 U.S.C. § 1818(b)(9), e.g., subsidiaries and holding companies of banks or savings associations;

(iii) any insured credit union under the Federal Credit Union Act, 12 U.S.C. § 1781 et seq.:

(iv) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 et seq.:

(v) any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and

(vi) the Federal Housing Finance Board and any Federal Home Loan Bank:

(B) solicit, procure, transfer, attempt to transfer, vote or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any Covered Institution:

(C) violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of section 3(q) of the FDIA, 12 U.S.C. § 1813(q); or

(D) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at section 3(u) of the FDIA, 12 U.S.C. § 1813(u), e.g., a

director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

2. This Order is subject to the provisions of section 8(j) of the FDIA, 12 U.S.C. § 1818(j), and shall become effective on the date it is issued.

ORDER OF RESTITUTION

3. Henderson shall pay restitution (but not as a penalty or fine) in the total amount of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000), as follows:

(A) Henderson shall pay the sum of One Hundred Fifty Thousand Dollars (\$150,000) within ten (10) days of issuance of this Order. Said sum shall be paid by cashiers check or bank draft made payable to the Federal Deposit Insurance Corporation, and delivered to John Davidson, OTS, 1700 G Street, N.W., Washington, D.C. 20552; and

(B) Prior to issuance of this Order, Henderson shall execute and deliver to the OTS a notarized Promissory Note, payable to the Federal Deposit Insurance Corporation, in the total amount of One Million One Hundred Thousand Dollars (\$1,100,000), according to the terms and conditions set forth in Attachment A. The Promissory Note is and shall be incorporated herein by reference and, in addition to any other remedies, including those set forth in the Promissory Note, shall be enforceable by the OTS as a term of this Order as though fully set forth in this Order. Notice of payment pursuant to the Promissory Note shall be made by telefax and express courier to the Deputy Chief Counsel for Enforcement, OTS, 1700 G Street, Washington, D.C. 20552.

(C) As security for the Promissory Note, Henderson shall pledge all shares of common stock owed by him in Land O'Pines Dairy Products Company, a Texas corporation, the number of such shares being 20,384, to the FDIC, pursuant to a Security Agreement, dated September 15, 1998, the terms of which are incorporated herein.

4. Henderson acknowledges and agrees that pursuant to 11 U.S.C. § 523(a)(11), his restitution obligation under this Order is not a dischargeable debt, and he waives any right to seek discharge of such obligation in any bankruptcy proceeding.

MISCELLANEOUS

5. This Order and the Offer may be used in any proceeding brought by the OTS to enforce this Order.

6. Henderson shall promptly respond, without the need for subpoena, to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

7. The terms and provisions of this Order shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors in interest.

8. This Order constitutes the final disposition of all monetary and non-monetary claims for relief that could be brought by the OTS against Henderson in connection with any aspect of his participation in the conduct of the affairs of HFC, Home or Southland. All OTS proceedings against Henderson relating to the Notice are hereby terminated and no further proceedings relating to the Notice shall be commenced, other than to enforce the terms of this Order.

9. This Order shall be and is effective on the date of its issuance, as set forth in the caption to this Order.

Dated: 1/2/93



Ellen Seidman
Director
Office of Thrift Supervision

PROMISSORY NOTE

\$1,100,000

Date: September 15, 1998

FOR VALUE RECEIVED, and intending to be legally bound hereby, John Henderson, Jr. (herein called "Maker") promises to pay to the order of the Federal Deposit Insurance Corporation (herein called "Payee") the principal sum of One Million, One Hundred Thousand Dollars (\$1,100,000), together with interest on the unpaid principal balance of this Note as set forth below. The Note shall mature on September 15, 2002, at which time the remaining unpaid principal balance and any and all accrued interest shall be paid. The Maker shall make payment in lawful money of the United States of America by wire transfer to:

Federal Home Loan Bank of Chicago
ABA Number 071004501
For Credit to FDIC National Receivership Account
Account Number 9710-5
OBI: FIN 7614, institution: Home S&LA, Lufkin, Texas
location code - 450;
contact Bob J. Rogers, (972) 761-2280;
type of settlement - settlement of OTS enforcement action
against John Henderson, Jr.

The Maker shall provide notice of each such wire transfer by (i) telefax and express courier to the Deputy Chief Counsel for Enforcement, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552, telefax number (202) 906-7005, and to Bob Rogers, Senior Attorney, Professional Liability Section, Federal Deposit Insurance Corporation, 1910 Pacific Avenue, Suite 6002, Dallas, TX 75201, telefax number (972)

761-2154, or (ii) such other method or at such other place as may hereafter be specified by Payee by written notice to Maker.

No interest shall accrue on the unpaid principal balance of this Note for the first three years. Beginning on September 15, 2001, interest shall accrue on the unpaid principal balance of this Note at the rate of 6% per annum until paid in full. All computations of interest shall be made on the basis of a year of 365 days and the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

The obligation evidenced by this Note is secured by a Security Agreement covering all shares of common stock now owned or acquired by Maker as dividends or through a stock split in Land O'Pines Dairy Products Company, a Texas corporation (herein "Land O'Pines"), the number of such shares being 20,384.

The Maker may prepay the balance due on this Note or any portion of such balance at any time, without cost or penalty.

All payments made by the Maker shall be applied first to pay any accrued interest and then applied to reduce the unpaid principal balance of this Note.

Maker shall be in default hereunder upon any of the following (each an "Event of Default"):

(a) The Maker fails to make full payment of unpaid principal and accrued interest on the date of maturity of this Note;

(b) The Maker commences a voluntary case relating to Maker under any provision of the United States Bankruptcy Code as now or hereafter in effect (or any successor thereto); or the Maker shall commence any other judicial proceeding under any

reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction, state or federal, whether now or hereafter in effect, or there is commenced against the Maker any involuntary proceeding of the character described in this subsection (b) which remains undismissed for a period of 60 days; or the Maker is adjudicated insolvent or bankrupt, or any order for relief or other order approving any such case or proceedings is entered; or the Maker suffers the appointment of any custodian or the like for him or any substantial part of his property to continue undischarged, undismissed or unstayed for a period of 60 days, or the Maker makes a general assignment for the benefit of creditors, or the Maker shall admit in writing that he is unable to pay his debts generally as they become due; or the Maker shall call a meeting of his creditors for the purpose of arranging a composition or adjustment of his debts; or a custodian or the like is appointed to manage Maker's affairs, or the Maker by any act or failure to act indicates his consent to, approval of or acquiescence in any of the foregoing;

(c) Land O'Pines commences a voluntary case relating to it under any provision of the United States Bankruptcy Code as now or hereafter in effect (or any successor thereto); or Land O'Pines shall commence any other judicial proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction state or federal, whether now or hereafter in effect, or there is commenced against Land O'Pines any involuntary proceeding of the character described in this subsection (c) which remains undismissed for a period of 60 days; or Land O'Pines is adjudicated insolvent or bankrupt, or any order for relief or other order approving any such case or proceedings is entered; or Land O'Pines suffers the

appointment of any custodian or the like for it or any substantial part of its property to continue undischarged, undismissed or unstayed for a period of 60 days, or Land O'Pines makes a general assignment for the benefit of creditors, or Land O'Pines shall admit in writing that it is unable to pay its debts generally as they become due; or Land O'Pines shall call a meeting of its creditors for the purpose of arranging a composition or adjustment of his debts; or a custodian or the like is appointed to manage Land O'Pines' affairs, or Land O'Pines by any act or failure to act indicates its consent to, approval of or acquiescence in any of the foregoing; except that in the event of Default under this paragraph, Maker shall have the right to cure default by written notice to Payee within thirty (30) days of the event of default of his intention to cure default and then, within 30 days thereafter, Maker shall cure default by offering substitute collateral of value equal to the amount of the outstanding principal plus any accrued interest, such collateral to consist of stocks listed on a national exchange and/or government securities.

(d) The Maker purports to sell, assign, convey pledge or otherwise grant any interest in all or any portion of the shares of common stock that he owns in Land O'Pines.

Upon the occurrence of any Event of Default, the Payee may declare the entire principal of and any accrued interest under this Note immediately due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Maker; provided, that any Event of Default specified in subsection (b) or (c) shall occur without the giving of such notice.

The failure to exercise one or more of the foregoing options upon the occurrence of any Event of Default shall not constitute a waiver of the right or any other legal right to

exercise the same at any subsequent time upon the occurrence or continuation of any Event of Default.

The Maker hereby waives demand, presentment, notice of dishonor, diligence in collecting, grace, notice of protest, notice of acceleration or maturity hereof, notice of intent to accelerate the maturity hereof, and the Maker consents to all extensions, whether one or more, which from time to time may be granted by the holder hereof. The nonexercise by the Payee or holder of any of its rights hereunder in any particular instance shall not constitute waiver thereof in that or any particular instance.

This Note may be assigned or transferred at any time by Payee without the consent of the Maker, except the Payee shall give the Maker fifteen (15) days notice prior to any transfer or assignment.

If this Note is placed in the hands of any attorney for collection, or if it is collected in whole or in part, through any legal or court proceeding, the Maker agrees to pay all costs of collection including but not limited to, all court costs and reasonable attorney's fees. The Maker also agrees to pay all costs incurred as a result of the Payee's liquidation of the Collateral, including but not limited to, all court costs and reasonable attorney's fees.

Upon the Payee's receipt of funds sufficient to pay in full any remaining principal amount and any accrued interest due under the Note, the Payee will deliver the original Note to the Maker marked, "Paid."

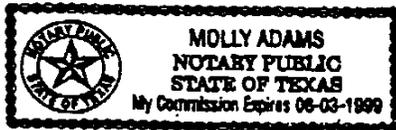
This Note is an obligation owed to the United States of America, made in compliance with and by reason of the Opinion and Order Accepting Offer of Settlement of John Henderson, Jr., OTS AP No. 98-_____, September _____, 1998, and shall be

construed in accordance with the laws of the United States of America and may be enforced by any and all remedies available for the enforcement of such obligations, including without limitation, those provided in 12 U.S.C. § 1818. To the extent there is no applicable federal law with respect to a particular issue or question arising under this Note, the law of the State of Texas, excluding its choice of law rules, shall be applied.


John Henderson, Jr.

STATE OF TEXAS)
)
COUNTY OF ^{KEEL}BLANCO)

Before me, a Notary Public for said county and state, personally appeared John Henderson, Jr., who I am satisfied, is the individual named in and who executed the preceding Promissory Note, and thereupon he acknowledged that he signed, sealed, and delivered the same as his voluntary act and deed, for the uses and purposes therein expressed. All of which is hereby certified.




Notary Public

My commission expires: 8-3-99